

Success Story

RICHMOND DISTRICT OFFICE

Ronald E. Bew, District Director

Release Date: January 15, 2010

Contact: Dawn Dibenedetto (804) 771-2400, x144

Automotive Classics, Inc., 'Home of the Honest Mechanic' finds a permanent home with SBA 504 Financing

Automotive Classics Inc., a car repair and service business, can attest to the positive side of acquiring commercial real estate in a sputtering economy. Dave O'Connell, who started Automotive Classics Inc. in Fredericksburg, Virginia, was finally able to locate the right site, a home for his business through the Small Business Administration's 504 Loan Program. The repair shop is located on half an acre at 175 Chatham Heights Road, Fredericksburg, Virginia.

Automotive Classic Inc. was started over 20 years ago with a focus on restoring classic cars and expanded to a repair service station. The business operated in many rental locations until O'Connell decided it was time to take the plunge into commercial real estate ownership and gain more control over his business. He located a promising ½ acre site.

For financing this new venture, O'Connell approached Rappahannock Economic Development Corporation (REDCO), a licensed non-profit, Certified Development Company that offers long-term fixed-



rate financing for small business through the SBA 504 Loan Program. The CDC/504 Loan Program is a long-term financing tool for economic development within a community. The 504 Loan Program provides growing businesses with long-term fixed-rate financing for major fixed assets, such as land and buildings, including expansions, renovations, and construction projects. CDCs work with the SBA and private-sector lenders to

provide financing to small businesses. There are approximately 270 CDCs nationwide. This year REDCO hired two new staff members to invigorate economic growth of its programs: Jeff Rouse, Senior Business Development Officer and Diana Lupe, Operations Manager.

When asked whether the 'Cash for Clunkers' Program had much of a negative impact on his service business, O'Connell replied in the negative but added "maybe a little." Actually during a time of shortages, jobs and money, he noted that folks generally cut back on general maintenance and service,

not repairs. His mission, to provide quality diagnosis and service for a reasonable cost, is what he thinks the customers want and the sign outside the building says it all succinctly in five words, 'Home of the Honest Mechanic.' Automotive Classics' gross receipts have grown each year since 2006 when it acquired the real estate. This indicates that O'Connell is indeed aware of what customers want in an automotive repair shop. In 2008 the business broke the \$1 million dollar mark in total sales.

Jeff Rouse, Senior Business Development Officer of REDCO, describes the structure of the 504 program, as a bank loan for 50% and then REDCO provides 40% of the capital with the borrower coming up with a 10% down payment. The interest rate is fixed and is generally lower because of SBA backing. The bank is in a protected position because it has a senior lien on the project. "It's a great way for our local businesses, like Automotive Classics Inc., to take the next stepping stone by acquiring commercial real estate to house their business. Automotive Classics' projection of providing continuing employment to five individuals is vital to the economic health of our area."

O'Connell employs 6 individuals at present, one above the original projection. As President of Automotive Classics Inc., O'Connell no longer works on cars but instead oversees development of the business. The 504 program, by financing businesses like Automotive Classics Inc., contributes to the economic vitality of the greater Fredericksburg area .

O'Connell is working on expanding his business by opening a second location and the announcement of the company's new branding as "Doc Auto" which is on display in the lobby of the business. After the second location, he will entertain the possibility of several additional stores. When asked if he has a recommendation for budding entrepreneurs, he quips "in this business, I'd tell them 'don't do it.'" He adds "I already have enough competition." However when he focuses on the 504 program, he sums it up by stating that "it is a phenomenal program and I'd recommend it without hesitation."

